GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2391
ANSWERED ON:10.03.2000
RBI GUIDELINES FOR NBFCS
PRABHUNATH SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether attention of the Government has been drawn to the news-item captioned `Is the RBI abdicating its responsibilities?` appearing in `The Indian Express` dated February 20, 2000.

(b) if so, the facts of the matter reported therein; and

(c) the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) Yes, Sir.

(b) & (c) The news item refers to Reserve Bank of India`s (RBI) views on formation of a Self Regulatory Organization (SRO) for Non Banking Financial Companies (NBFCs) and violations of RBI`s direction governing the issue of Commercial Paper (CP) by Bomba Dyeing.

RBI has been regulating NBFCs under the provisions of Chapter III-B of R.B.I. Act and has developed a comprehensive mechanism t effectively supervise the NBFCs holding/accepting public deposits.Though RBI has put in place an effective regulatory and supervisory mechanism, it has been thinking of setting up a SRO which could work towards establishment of a code of ethics, curbing unscrupulous business practices and instilling a sense of discipline among its members. However, SRO would not replace RBI in regard to its supervisory role.

Regarding alleged violation of RBI`s directions governing the issue ofCommercial Paper RBI has initiated examination of the matter with a view to taking such remedial action as warranted.